

Message Text

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PAGE 01 ALGIER 02277 100841Z

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FM AMEMBASSY ALGIERS

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E. O. 11652: N/A

TAGS: BENC, ECON, AG, US

SUBJ: MORRISON-KNUDSEN DIFFICULTIES IN ALGERIA

1. FOR SOME TIME EMBASSY HAS BEEN AWARE OF BURGEONING PROBLEMS BEING ENCOUNTERED BY MORRISON-KNUDSEN WITH ITS FIXED PRICE CONTRACT TO CONSTRUCT 26 SEED CLEANING SILOS FOR ALGERIAN CEREALS OFFICE, OAIC. UPON HEARING THAT PROBLEMS APPROACHING ARBITRATION STAGE, EMBASSY COMMERCIAL OFFICER DISCUSSED ISSUE WITH M-K PROJECT MANAGER. IT WAS AGREED THAT M-K WOULD SEND EMBASSY SUMMARY OF EVENTS, WHICH HAS TAKEN THE FORM OF SEPT 5 TELEX TO AMBASSADOR FROM M-K INTERNATIONAL PRESIDENT G W GILFILLAN, AS FOLLOWS:

QTE

"DEAR MR. AMBASSADOR:

AS YOU MAY BE AWARE, MORRISON-KNUDSEN INTERNATIONAL COMPANY, INC, RECENTLY COMPLETED A SUCCESSFUL PROJECT UNDER A COST PLUS FIXED FEE ARRANGEMENT WITH THE MINISTRY OF HYDRAULICS. NOT ONLY WAS THIS PROJECT COMPLETED ON TIME, BUT WITHIN ESTABLISHED COST PARAMETERS. THE PURPOSE OF THIS TELEX IS TO ADVISE YOU OF A SERIOUS SITUATION OCCURRING ON ANOTHER OF OUR PROJECTS BEING UNDERTAKEN IN ALGERIA IN CONCERT WITH JARVIS INTERNATIONAL INC. WE HAVE APPROACHED THE POINT OF CANCELLATION ON THE LAST 13 STATIONS OF EQUAL IMPORTANCE.

THIS TOTAL PROGRAM OF 26 STATIONS ORIGINALLY PLANNED FOR A FIXED
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PRICE OF 37 MILLION AS ESCALATED TO A PRICE OF WELL OVER 65 MILLION DUE PRINCIPALLY TO A 12 TO 14 MONTH DELAY IN THE ALGERIAN ADMINISTRATION'S ACCOMPLISHMENT OF ITS RESPONSIBILITIES UNDER THE CONTRACT. THESE RESPONSIBILITIES INCLUDED APPROPRIATE ARRANGEMENTS FOR:

1. IMPORTATION OF THE REQUIRED MATERIALS.
2. AVAILABILITY OF THE SITES.
3. GEOLOGICAL DATA ON EACH SITE: AND

4. ENERGY AND WATER AT EACH SITE.

THE ALGERIAN ADMINISTRATION, OAIC (MINISTRY OF AGRICULTURE) IN RECENT MEETINGS WITH THE UNDERSIGNED APPEARS TO HAVE RECOGNIZED THAT THERE HAVE BEEN MANY PROBLEMS IN THIS MATTER AND HAS RESPONDED FAVORABLY TO SEEKING AN AMICABLE RESOLUTION OF OUR DIFFICULTIES. A COMMISSION WAS ESTABLISHED TO REVIEW THE FACTS. HOWEVER, MY REVIEW OF NOTES ON THIS COMMISSION'S WORK INDICATES THAT VERY LITTLE SUBSTANTIVE PROGRESS TOWARD AN AMICABLE SETTLEMENT HAS BEEN ACHIEVED.

WE ARE MAKING EVERY EFFORT TO GIVE NEW DIRECTION TO EFFORTS FOR THE COMPLETION OF THIS VERY IMPORTANT PROJECT FOR THE PEOPLE OF ALGERIA.

I AM BRINGING THIS TO YOUR ATTENTION, AT THIS TIME, FOR INFORMATIONAL PURPOSES ONLY. WE WANT YOU TO BE AWARE OF THIS SITUATION IN THE EVENT THAT WE ARE FORCED TO GO TO FORMAL ARBITRATION AND CANCELLATION PROCEDURES, WHICH WE DO NOT WISH, BUT WHICH MAY BE OUR ONLY RECOURSE IN THE EVENT THAT OUR DISPUTES CANNOT BE RESOLVED.

I AM TENTATIVELY PLANNING A VISIT TO ALGERIA IN OCTOBER AND WILL LOOK FORWARD TO PAYING YOU MY RESPECTS PERSONALLY AT THAT TIME.

SINCERELY,

G. W. GILFILLAN

PRESIDENT, MORRISON-KNUDSEN INTERNATIONAL COMPANY, INC." UNQTE

2. THE ABOVE IS FOR INFORMATION ONLY. ARBITRATION CLEARLY NOT RPT
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NOT PREFERRED SOLUTION, EITHER FROM OUR VIEWPOINT OR THAT OF M-K AND EMBASSY BELIEVES THE LESS PUBLICITY THIS DISPUTE RECEIVES, THE BETTER WILL BE CHANCES OF SUCCESS FOR CURRENT NEGOTIATIONS BETWEEN M-K AND OAIC. WE UNDERSTAND THAT EXIMBANK ALREADY AWARE OF FULL DETAILS.HAYNES

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